

# ARUN DISTRICT COUNCIL

## REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 21 NOVEMBER 2019

### PART A : REPORT

**SUBJECT:** Update on the Progress of the Council's Property Investment Fund & Review of the Property Investment Strategy

**REPORT AUTHOR:** Nat Slade, Group Head of Technical Services

**DATE:** 18 October 2019

**EXTN:** 37683

**PORTFOLIO AREA:** Technical Services

#### EXECUTIVE SUMMARY:

The Council adopted a Property Investment Strategy in 2017. This established a framework for a Property Investment Fund to be established. This report provides the Committee with the opportunity to review progress and the strategy.

#### RECOMMENDATIONS:

The Committee is asked to recommend to Cabinet that they put forward to Full Council that:

- 1) The 75% threshold within section 5.1 of the Property Investment Strategy 2017-2022 be changed to 50%.

#### 1. BACKGROUND:

1.1 The Property Investment Strategy was adopted by Full Council on 13 September 2017. It was produced in response to the reduction in financial support for the delivery of Council services by central government and the need to be more financially self-sufficient.

1.2 The aim of the strategy is to use 75% of capital receipts from General Fund asset disposals to fund the purchase of property to generate revenue and or capital growth. To do this the strategy set out that a Property Investment Fund should be established and its associated governance arrangements.

1.3 Since the strategy was adopted the Council has authorised the disposal of several assets that were considered to be surplus to requirements or under-performing. These can be viewed in Appendix 1. The first of these disposals, to be authorised has recently completed resulting in the first contribution to this fund for a sum, post s.106 deduction, of £2,030,791 less legal fees to be confirmed.

1.4 In October 2017, after we had received firm offers for this first disposal, the Council made its first and to date only purchase of an investment property since the introduction of the strategy. The purchase was to be funded from the eventual receipt from the first disposal. The purchase property was the Arcade off the High Street,

<p>Bognor Regis. The outlay on this property, inclusive of fees and some capital works, is £2,005,748.</p> <p>1.5 Since purchasing the property occupancy of the ground floor commercial units has improved and the Council is currently exploring options for the upper floors which remain vacant.</p> <p>1.6 The balance within the Property Investment Fund is therefore approximately £25k minus the legal fees to be confirmed. This means that the Council is not in a position to purchase further investment properties from the Property Investment Fund until other planned disposals have completed.</p> <p>1.7 The strategy remains operational. Reflecting the Council's reducing capital reserves it is considered prudent to amend the proportion of the capital receipts from asset disposals which are automatically allocated to the Property Investment Fund from 75% to 50% to allow the Council greater flexibility in how it manages its reserves. This will necessitate an amendment to chapter 5.1 of the strategy.</p>																										
<p><b>2. PROPOSAL(S):</b></p> <p>The Committee is asked to recommend to Cabinet that they put forward to Full Council that:</p> <p>2.1 The 75% threshold within section 5.1 of the Property Investment Strategy 2017-2022 be changed to 50%.</p>																										
<p><b>3. OPTIONS:</b></p> <p>3.1 Note the report only.</p> <p>3.2 Recommend alternative amendments to the strategy.</p>																										
<p><b>4. CONSULTATION:</b></p> <table border="1"> <thead> <tr> <th>Has consultation been undertaken with:</th> <th>YES</th> <th>NO</th> </tr> </thead> <tbody> <tr> <td>Relevant Town/Parish Council</td> <td></td> <td>X</td> </tr> <tr> <td>Relevant District Ward Councillors</td> <td></td> <td>X</td> </tr> <tr> <td>Other groups/persons (please specify)</td> <td></td> <td>X</td> </tr> </tbody> </table>			Has consultation been undertaken with:	YES	NO	Relevant Town/Parish Council		X	Relevant District Ward Councillors		X	Other groups/persons (please specify)		X												
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<p><b>5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)</b></p> <table border="1"> <thead> <tr> <th></th> <th>YES</th> <th>NO</th> </tr> </thead> <tbody> <tr> <td>Financial</td> <td>X</td> <td></td> </tr> <tr> <td>Legal</td> <td>X</td> <td></td> </tr> <tr> <td>Human Rights/Equality Impact Assessment</td> <td></td> <td>X</td> </tr> <tr> <td>Community Safety including Section 17 of Crime &amp; Disorder Act</td> <td></td> <td>X</td> </tr> <tr> <td>Sustainability</td> <td></td> <td>X</td> </tr> <tr> <td>Asset Management/Property/Land</td> <td>X</td> <td></td> </tr> <tr> <td>Technology</td> <td></td> <td>X</td> </tr> </tbody> </table>				YES	NO	Financial	X		Legal	X		Human Rights/Equality Impact Assessment		X	Community Safety including Section 17 of Crime & Disorder Act		X	Sustainability		X	Asset Management/Property/Land	X		Technology		X
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Other (please explain)		X
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**6. IMPLICATIONS:**

**Financial:**

Reflecting the Council's reducing capital reserves it is considered prudent to amend the proportion of the capital receipts from asset disposals which are automatically allocated to the Property Investment Fund from 75% to 50% to allow the Council greater flexibility in how it manages its reserves.

**Legal:**

The Council's Legal Services team will be used to transact disposals, purchases and associated leases where capacity allows.

**Asset Management:**

The Council's Property and Estates team advice on provide management services in relation to investment property purchases and identifying properties for disposal.

**7. REASON FOR THE DECISION:**  
To allow the Council greater flexibility in how it manages its reserves.

**8. BACKGROUND PAPERS:**  
Arun District Council Property Investment Strategy 2017-2022  
<https://www.arun.gov.uk/download.cfm?doc=docm93jjjm4n13354.pdf&ver=13501>  
Appendix 1: Freehold Asset Disposals Receiving Authorisation Since 13 September 2019